**VECC Interrogatories to**

**Enbridge Gas Distribution Inc. GTA LTC Project, EB-2012-0451,**

**Union Gas Limited Parkway West Project, EB-2012-0433, and to**

**Union Gas Limited Brantford-Kirkwall/Parkway D Project, EB-2013-0074**

**ISSUE A.1 Are the proposed facilities needed? Considerations may include but are not limited to demand, reliability, security of supply, flexibility, constraints, operational risk, cost savings and diversity as well as the Board’s statutory objectives.**

**A.1-VECC 1**

**Reference: EB-2012-0433, Schedule B, page 3, paragraphs 10 and 11**

The referenced paragraphs state:

*10. Parkway is the only site on the Dawn-Parkway System which does not have loss of critical unit coverage. The construction of a compressor to provide reserve horsepower will ensure that Union will be able to meet its contractual commitments and ensure that natural gas continues to be delivered to customers downstream of Parkway, including those customers which will be served by Enbridge’s GTA Project application.*

*11. If there were a major failure at Parkway, Union would not be able to meet its contractual commitments. To address this significant operational risk, Union proposes to build a loss of critical unit compressor and an additional connection to Enbridge. Failure could result in nearly 70% of GTA customers losing gas service, including all gas-fired power generators.*

1. Is the lack of LCU coverage at Parkway a “new issue” or should LCU coverage have already been provided at Parkway at some time prior to this application?
2. Have there been any incidents in the past where Union was either unable to meet its contractual commitments or unable to ensure that natural gas was delivered downstream of Parkway due to the lack of an LCU at Parkway?

**ISSUE A.3. Are the costs of the facilities and rate impacts to customers appropriate?**

**A.3-VECC 2**

**Reference: EB-2012-0433, Schedule B, paragraphs 3-5**

1. Please discuss the potential exposure of in-franchise customers to stranded asset cost recovery in the event that some of the customers among the ex-franchise rate classes supporting the application decide to either discontinue or significantly reduce their use of Union’s system in the medium term or in the long term.

**B. Union Gas Limited - Parkway West (EB-2012-0433)**

**ISSUE B.5 Should pre-approval to recover the cost consequences of the proposed facilities be granted?**

**B.5-VECC 3**

**Reference: EB-2012-0433, Schedule B paragraphs 4 and 5**

The referenced paragraphs state:

*4. Union is seeking an order from the Board, pursuant to section 36 of the Act, for pre-approval of recovery of the cost consequences of all facilities associated with the development of the Project from ratepayers. Union is seeking pre-approval of the recovery of the costs consequences of the Project because: i) it is the single largest project in the history of Union, requiring a significant capital outlay, without any new, incremental contractual commitments or revenues; ii) it would be more efficient for the Board to address all known impacts from the Project at once, and provide a predictable rate impact to Union’s customers and other stakeholders; iii) the ex-franchise customers who will pay for the cost of the Project support the Project; and, iv) a finding on the rate impacts from the Project will help inform the parameters of Union’s next regulatory framework. Given the magnitude of this project, Union is not able to proceed with the development of the Project without reasonable certainty of cost recovery.*

*5. The first full-year cost of service directly attributable to the Project (rate base, return, interest, tax, depreciation and O&M) to the Project is approximately $15.3 million. Using the allocation of Dawn-Parkway costs per the 2013 Board approved cost allocation study results in: (i) a reduction of approximately $2.1 million, allocated to in-franchise rate classes, and (ii) an increase of approximately $17.4 million, allocated to ex-franchise rate classes.*

1. Can Union confirm that it has never before applied for pre-approval of recovery of the cost consequences for any project proposal?

1. If the requested pre-approval of cost consequences is granted by the Board, would there be any future review of costs possible under any circumstances prior to recovery from ratepayers?
2. Given that “the ex-franchise customers who will pay for the cost of the Project support the Project” and that the impact on ratepayers, i.e., in-franchise rate classes, is “a reduction of approximately $2.1 million,” what is the significance to ratepayers of Union seeking “pre-approval of recovery of the cost consequences of all facilities associated with the development of the Project from ratepayers” and why does Union need this pre-approval to “recover from ratepayers” what amounts to a $2.1M credit to ratepayers?
3. Would Union undertake this Project if the Board either disallowed pre-approval to recover the cost consequences from ratepayers or conditioned its approval by requiring an after the fact prudence review?

**C. Union Gas Limited - Brantford-Kirkwall / Parkway D (EB-2013-0074)**

**ISSUE C.5 Should the request for pre-approval to recover the cost consequences of the proposed facilities be granted?**

**C.5-VECC-4**

**Reference: EB-2013-0074, Schedule B, paragraph 7**

*7. The total estimated capital cost of the Project is $204 million. The largest revenue requirement associated with the Project increases to approximately $15.9 million over the 2015 to 2018 period. The Project will result in: (i) an increase of costs of approximately $1.6 million, allocated to Union North in-franchise rate classes, (ii) an increase of costs of approximately $16.0 million allocated to ex-franchise rate classes and (iii) a reduction in costs of approximately $1.7 million, allocated to Union South in-franchise rate classes. The ex-franchise customers that will bear the majority of the costs associated with the Project are supportive.*

1. Given that the net impact to Union’s in-franchise classes is a reduction in revenue requirement of about $0.1M ($1.6M increase in the North offset by a $1.7M reduction in the North) and that the ex-franchise classes will be paying the project costs, please explain why pre-approval of cost recovery from ratepayers is required by Union in order to proceed with this application.

1. If the requested pre-approval of cost consequences is granted by the Board, would there be any future review of costs possible under any circumstances prior to recovery from ratepayers?
2. Would Union undertake this Project if the Board either disallowed pre-approval to recover the cost consequences from ratepayers or conditioned its approval by requiring an after the fact prudence review?
3. Please provide a “worst case scenario” for in-franchise rate classes in the event that there were assets stranded by the actions of ex-franchise rate classes in respect of the facilities.

**D. Enbridge Gas Distribution Inc. - GTA Project (EB-2012-0451)**

**ISSUE D.5 Should approval of Enbridge’s proposed rate methodology for the service to be provided to TransCanada be granted?**

**D.5-VECC-5**

**Reference: EB-2012-0451, Exhibit E, Tab 1, Schedule 2, page 3, paragraphs 10 and 11**

The referenced paragraphs state:

*10. Enbridge proposes to charge a rate that will be based upon a Board approved cost-of-service methodology and include costs for: administration, depreciation, debt cost, maintenance, operations, a return on equity, and taxes.*

*11. The Company proposes to treat the Shared Pipeline as a stand-alone cost item.*

*Under this approach, a transportation services charge would be calculated by the Company on a cost-of-service basis, as detailed in paragraph 10. The charge would recover the revenue requirement associated with TransCanada’s share of the Shared Pipeline. As mentioned, the TSA would contain sufficient termination provisions to ensure any unrecovered capital amounts are recovered from TransCanada.*

1. Does EGD have any other rate classes whose rates have been set on such a stand-alone basis? If so, please provide details.

1. Can EGD confirm that under its shared pipeline proposal, TransCanada would make no contribution to the distribution system in the rates it was charged? If unable to so confirm, please explain fully.
2. Under a fully allocated cost of service study, how would the rates thus determined for TransCanada compare with the proposed rates? Is it not fair to assume the FACOS rate would be higher as it would involve some allocation of existing overheads to TransCanada while the proposal allocates none of these costs to TransCanada?
3. Can EGD confirm that to avoid cross-subsidization, the rate charged to a class should recover an amount between (i) stand-alone costs and (ii) incremental costs? If unable to so confirm, please discuss fully.
4. Is it fair to conclude from paragraph 11 that there is no possibility of stranded asset recovery from in-franchise ratepayers?